

**VILLAGE OF FAIRGROVE
FAIRGROVE, MICHIGAN
TUSCOLA COUNTY**

**FINANCIAL REPORT
MARCH 31, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Fairgrove	County Tuscola
Fiscal Year End March 31, 2006	Opinion Date July 12, 2006	Date Audit Report Submitted to State 09/14/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

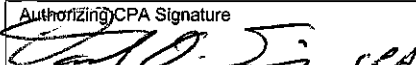
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No comments or recommendations were noted during the audit.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Weinlander Fitzhugh		Telephone Number 989-893-5577	
Street Address 1600 Center Ave.		City Bay City	State MI
Zip 48707			
Authorizing CPA Signature 	Printed Name David D. Quimby		License Number 1101015265

VILLAGE OF FAIRGROVE, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

July 12, 2006

To the Honorable Village Council
Village of Fairgrove
5005 W. Center
Fairgrove, Michigan 48733

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fairgrove, Fairgrove, Michigan as of March 31, 2006, and for the year then ended, which collectively comprise the Village's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Village of Fairgrove's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fairgrove as of March 31, 2006, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information, as noted in the table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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WEINLANDER FITZHUGH

Honorable Village Council
Village of Fairgrove
Page 2
July 12, 2006

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of Fairgrove. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic statements taken as a whole.

Weinlander Fitzhugh

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Village of Fairgrove presents to readers of the Village's financial statements this narrative financial information. It contains an objective overview and analysis of the financial position of the Village as of and for the year ended March 31, 2006. As management of the Village, we encourage readers to consider information contained in this discussion and the Village's financial statements, which follow this section.

Financial Highlights

- The Village's assets exceeded its liabilities at the end of the fiscal year by \$2,636,203.
- Net assets decreased by a total of \$51,211, or by approximately 1.9% of last years total net assets of \$2,687,414.
- The fund balance of the Village's General Fund increased by \$54,839. The fund balance for the other Governmental Funds (Major Street, Local Street, and Local Street Improvement Funds) decreased by \$44,520.
- A significant expenditure for the year ended March 31, 2006 was road construction for the Local Streets totaling \$22,760.

Financial Statements Overview

This Management Discussion and Analysis serves to introduce to the reader of the Village of Fairgrove's essential financial statements. These financial statements consist of three components as follows:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The above financial information will provide the reader with a general understanding of the Village's current financial condition. Also, this report contains supplementary information in addition to the basic financial statements which provides a more detailed understanding of the Village's finances.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, similar to private sector businesses.

The **Statement of Net Assets** presents information on all of the assets and liabilities of the Village, with the difference between the two identified as net assets. Over a given period of time increases or decreases in net assets can serve as a useful indicator of improving or declining financial position of the Village.

The Statement of Activities show changes in net assets that occurred during the most recent fiscal year. These changes were recorded on an accrual basis, which distinguishes between the time when a financial transaction occurs and when payment is actually made. An example of accrual accounting is when debt interest payments are scheduled between the fiscal year end. The Statement of Activities will show additional interest expense for the time period between the last interest payment and the end of the fiscal year as an accrual.

The Government-wide Financial Statement, in addition to the Statement of Activities, is broken down into two Activities; Governmental Activities and Business-Type Activities. Governmental activities are primarily supported through tax and intergovernmental revenue. Business-type activities are primarily supported through user fees and charges.

Governmental activities for the Village of Fairgrove include general governmental functions, such as Administration, Village Buildings and Grounds (General government); Police and Fire (Public safety); Major Street, Local Street, Local Street Improvement, Public Works and Park (Highways and public improvements). Business-type activities include the Sewer system.

Fund Financial Statements

A fund is a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The Village of Fairgrove uses fund accounting to demonstrate compliance with legal financial requirements, like all state and local governments. All Village Funds can be categorized as either governmental or proprietary funds.

Governmental Funds account for essentially the same activities as the Governmental Activities in the Government-wide financial statements, but with a narrower focus. Governmental Funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short-term financing requirements.

Comparing similar information presented in the Government-wide statements for the Governmental Activities with that presented in Governmental Funds statements can provide useful information because the different focus to the two approaches. With the long-term focus of the Government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. To aid in the comparison, both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures and changes in fund balance includes a reconciliation between the Governmental Funds statements and the Governmental Activities in the Government-wide statements.

The Village of Fairgrove uses four different individual Governmental Funds. The Village considers all the funds to be major funds of the Village of Fairgrove. The funds are presented separately in the Fund Financial Statements. The Village adopts an annual appropriated budget for all its Governmental Funds.

The basic governmental fund financial statements can be found as listed in the table of contents.

Proprietary Funds include an enterprise fund and an internal service fund. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. The Internal Service Fund is used to report activities that provide goods or services to other funds or departments of the Village.

The Enterprise Fund maintained by the Village of Fairgrove includes the sewer fund. The Village uses the Internal Service Fund to account for vehicles, and equipment activities. Because they charge fees and charges to outside users of their systems, the Enterprise Fund is included in the Business-type Activities column of the government-wide financial statements. The Internal Service Fund, which accounts for equipment and vehicle that support the Village functions, is included under the Governmental Activities column.

(Continued)

Proprietary Funds present the same information as in government-wide statements, except in more detail. The fund statements for proprietary funds provide separate information for the Sewer fund which is considered to be a major fund of the Village of Fairgrove.

The basic proprietary fund financial statements can be found as listed in the table of contents.

Notes to the Financial Statements contain additional financial information to give the reader a complete understanding of the information contained in the government-wide and fund financial statements. Although these Notes provide detailed explanation and information related to the financial statements, this information is typically easy for the reader to follow. Notes to the Financial Statements are located after the financial statements as listed in the table of contents.

Other Information

The combining and individual fund statements and schedules are presented as additional information as listed in the table of contents.

Government-wide Financial Analysis

VILLAGE OF FAIRGROVE'S NET ASSETS

	Governmental Activities	Business-Type Activities	March 31, 2006 Total	March 31, 2005 Total
Current assets	\$ 314,463	\$ 129,094	\$ 443,557	\$ 393,610
Capital assets	934,528	1,302,042	2,236,570	2,339,355
Restricted and other assets				6,955
Total assets	<u>\$1,248,991</u>	<u>\$1,431,136</u>	<u>\$2,680,127</u>	<u>\$2,739,920</u>
Current liabilities	\$ 33,545	\$ 10,379	\$ 43,924	\$ 52,506
Total liabilities	<u>\$ 33,545</u>	<u>\$ 10,379</u>	<u>\$ 43,924</u>	<u>\$ 52,206</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 917,813	\$1,302,042	\$2,219,855	\$2,311,238
Restricted				6,955
Unrestricted	<u>297,633</u>	<u>118,715</u>	<u>416,348</u>	<u>369,221</u>
Total net assets	<u>\$1,215,446</u>	<u>\$1,420,757</u>	<u>\$2,636,203</u>	<u>\$2,687,414</u>

As shown in the Statement of Net Assets provided, the largest portion, by far of the Net Assets of the Village of Fairgrove is its investment in capital assets. The Village of Fairgrove uses these capital assets to provide essential services to citizens who live, work or visit the Village. These assets, by design, are not available for future spending. Additionally, even though these capital assets are reported net of any related debt, resources needed to repay this debt must come from other sources, as these assets cannot be used to satisfy their related obligations.

Activities, Governmental and Business-Type

Net assets of Governmental Activities decreased by \$28,295 for the year ended March 31, 2006. This is approximately a 2.3% change from beginning net assets. The decrease is due to reclassifying \$60,000 that was capitalized as Construction in Progress as of March 31, 2005. The storm sewer project expended \$60,000 for planning, testing, studying, development, and searching for sources of funding. This amount is being reclassified as an expenditure in the governmental activities statement of activities because the project is being put on hold indefinitely.

Net assets of Business-type Activities decreased by \$22,916 for the year ended March 31, 2006. The amount of change is not significant as it is approximately 1.6% of beginning net assets.

VILLAGE OF FAIRGROVE'S CHANGES IN NET ASSETS

			For the year ended	
	Governmental	Business-Type	March 31,	March 31,
	Activities	Activities	2006	2005
			Total	Total
Revenues:				
Program revenues:				
Charges for services	\$ 58,431	\$ 60,616	\$ 119,047	\$130,910
Contributions	23,246		23,246	
General revenues:				
Property taxes	91,666		91,666	89,475
State shared revenue	116,069		116,069	116,999
Unrestricted investment earnings	4,936	3,603	8,539	11,229
Miscellaneous	7,795		7,795	
Total revenue	<u>302,143</u>	<u>64,219</u>	<u>366,362</u>	<u>348,613</u>
Expenses:				
General government	103,305		103,305	101,505
Public safety	81,647		81,647	68,792
Highways and public improvements	130,486		130,486	82,872
Sewer		87,135	87,135	78,136
Transfers (Net)	15,000		15,000	
Total expenses	<u>330,438</u>	<u>87,135</u>	<u>417,573</u>	<u>331,305</u>
Change in net assets	(28,295)	(22,916)	(51,211)	17,308
Net assets - Beginning	<u>1,243,741</u>	<u>1,443,673</u>	<u>2,687,414</u>	<u>2,670,106</u>
Net assets - Ending	<u>\$1,215,446</u>	<u>\$1,420,757</u>	<u>\$2,636,203</u>	<u>\$2,687,414</u>

Financial Analysis of Village of Fairgrove's Funds

The Village of Fairgrove's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources and the unreserved portion of this total is a measure of the available spendable resources as of March 31, 2006.

(Continued)

For the year ended March 31, 2006, the Village's governmental funds reported a combined fund balance amount of \$296,189. The fund balance increase for the current fiscal year was \$10,319.

General Fund Budgetary Highlights

A major difference in the original budget versus the actual budget was in re-establishing the Village's own police department and in demolishing a house deemed as dangerous by building codes, which will be a special assessment on that property. The general fund budget increased by \$25,575.

Capital Assets

The Village of Fairgrove's investment, net of related debt, in capital assets for its governmental and business-type activities combined totaled \$2,219,855. The types of assets in this category are land, buildings, machinery and equipment, park and recreation equipment, roads and sewer collection system. The Village's investment in capital assets equals over eighty-four percent (84%) of total net assets.

VILLAGE OF FAIRGROVE'S CAPITAL ASSETS March 31, 2006

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Land	\$ 11,907	\$ 107,732	\$ 119,639
Buildings	1,302,629		1,302,629
Equipment	721,804		721,804
Roads	79,780		79,780
Sewer system		<u>2,406,453</u>	<u>2,406,453</u>
Total assets	2,116,120	2,514,185	4,630,305
Accumulated depreciation	<u>(1,181,592)</u>	<u>(1,212,143)</u>	<u>(2,393,735)</u>
Net book value	<u>\$ 934,528</u>	<u>\$1,302,042</u>	<u>\$2,236,570</u>

The Village of Fairgrove's debt consists of a capital lease obligation for a police car of \$16,715.

Economic Factors and Future Budget Issues

Revenues continue to remain the same, while expenses increase. The Village struggles with stagnant property valuations with very little increase in property taxes. With 30-40% of its general fund revenue derived from state revenue sharing any decrease in state monies equates to budget cuts or a lowered fund balance.

The Village has re-established its own police department after having contracted with another municipality for the previous five years. This allows for direct management and utilization of the department by Village officials. Offering police coverage to adjacent townships is a possibility.

The fire and public works departments will need updated equipment in the near future. Both departments must adhere to state and federal safety standards while trying to operate with current revenues.

A millage request is most likely necessary to continue providing current services. A public safety millage for the fire and police departments and a millage for sidewalk and park improvements is being considered for the 2006 general election. With the passage of these millage requests and the added revenues, village officials would be able to better budget for future capital expenditures.

(Continued)

The village council decided not to proceed with a three-quarter million dollar loan for storm sewer improvements, as it seemed too taxing for residents. As annual revenues allow, repairing small portions of the one hundred year-old storm sewer will continue as necessary.

The sanitary sewer fund continues to improve its monetary status. Monies saved will need to be used for future maintenance as the system increases in age.

Requests for Information

This financial report is designed to give the reader a basic understanding of the Village of Fairgrove's finances. Any questions or requests for financial information contained in this report may be obtained by contacting the Village Clerk, Village of Fairgrove, 5005 Center Street, Fairgrove, Michigan 48733.

BASIC FINANCIAL STATEMENTS

VILLAGE OF FAIRGROVE, MICHIGAN

STATEMENT OF NET ASSETS MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash	\$ 293,293	\$ 103,503	\$ 396,796
Taxes receivable	4,253		4,253
Accounts receivable	22,574	25,185	47,759
Allowance for doubtful accounts	(5,250)		(5,250)
Internal balances	(406)	406	-
Nondepreciated capital assets	11,907		11,907
Capital assets	2,104,213	2,514,185	4,618,398
Less accumulated depreciation	(1,181,592)	(1,212,143)	(2,393,735)
TOTAL ASSETS	<u>\$ 1,248,991</u>	<u>\$ 1,431,136</u>	<u>\$ 2,680,127</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 13,256	\$ 10,379	\$ 23,635
Accrued payroll taxes	1,670		1,670
Compensated absences	1,904		1,904
Lease payable - Police car	16,715		16,715
Total liabilities	<u>33,545</u>	<u>10,379</u>	<u>43,924</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	917,813	1,302,042	2,219,855
Unrestricted	297,633	118,715	416,348
Total net assets	<u>\$ 1,215,446</u>	<u>\$ 1,420,757</u>	<u>\$ 2,636,203</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FAIRGROVE, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

	<u>PROGRAM REVENUE</u>		<u>NET (EXPENSE) REVENUES & CHANGES IN NET ASSETS</u>	
	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS - TYPE ACTIVITIES</u>
	<u>EXPENSES</u>			<u>TOTALS</u>
<u>Governmental Activities</u>				
General government	\$ 103,305		\$ (103,305)	\$ (103,305)
Public safety	81,647	\$ 20,369	(2,847)	(2,847)
Highways and public improvements	130,486	2,877	(127,609)	(127,609)
Total governmental activities	315,438	23,246	(233,761)	(233,761)
<u>Business Type Activities</u>				
Sewer	87,135			(26,519)
Total business-type activities	87,135			(26,519)
Total Government	\$ 402,573	\$ 23,246	(233,761)	(260,280)
<u>General Revenue:</u>				
Property taxes			91,666	91,666
State shared revenues			116,069	116,069
Unrestricted investment earnings			4,936	8,539
Miscellaneous			7,795	7,795
Transfers - Net			(15,000)	(15,000)
Total general revenues			205,466	209,069
Change in net assets			(28,295)	(51,211)
Net assets - beginning			1,243,741	2,687,414
Net assets - ending			\$ 1,215,446	\$ 2,636,203

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FAIRGROVE, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2006

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>LOCAL STREET IMPROVEMENT</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash	\$ 152,273	\$ 71,660	\$ 37,446	\$ 27,699	\$ 289,078
Taxes receivable	663			3,590	4,253
Accounts receivable-Other	13,115	7,052	2,407		22,574
Allowance for doubtful accounts	(5,250)				(5,250)
TOTAL ASSETS	<u>\$ 160,801</u>	<u>\$ 78,712</u>	<u>\$ 39,853</u>	<u>\$ 31,289</u>	<u>\$ 310,655</u>
<u>LIABILITIES & FUND EQUITY</u>					
Liabilities:					
Accounts payable	\$ 11,424	\$ 1,243	\$ 129		\$ 12,796
Accrued payroll withholdings	1,670				1,670
Total liabilities	<u>13,094</u>	<u>1,243</u>	<u>129</u>	<u>-</u>	<u>14,466</u>
Fund balance:					
Unrestricted	147,707	77,469	39,724	\$ 31,289	296,189
Total fund balance	<u>147,707</u>	<u>77,469</u>	<u>39,724</u>	<u>31,289</u>	<u>296,189</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 160,801</u>	<u>\$ 78,712</u>	<u>\$ 39,853</u>	<u>\$ 31,289</u>	<u>\$ 310,655</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FAIRGROVE, MICHIGAN

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
MARCH 31, 2006**

Total governmental fund balances \$ 296,189

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore, are not reported in the funds. The cost of the assets is
\$2,116,120 less the accumulated depreciation of \$1,181,592 . 934,528

Portion of internal service fund is not included in the governmental funds. 3,349

Compensated absences are not due and payable in the current period and
therefore, are not reported in the funds. (1,904)

Long-term liabilities, including notes payable are not due and payable
in the current period and, therefore, are not reported in the funds. (16,715)

Net assets - governmental activities \$ 1,215,446

VILLAGE OF FAIRGROVE, MICHIGAN

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>LOCAL STREET IMPROVEMENT</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:					
Taxes	\$ 88,076			\$ 3,590	\$ 91,666
Intergovernmental	64,724	\$ 38,104	\$ 13,241		116,069
Miscellaneous	90,166	3,166	643	434	94,409
TOTAL REVENUE	<u>242,966</u>	<u>41,270</u>	<u>13,884</u>	<u>4,024</u>	<u>302,144</u>
EXPENDITURES:					
Administration	38,116				38,116
Streets		18,163	29,860		48,023
Village buildings and grounds	20,315				20,315
Police	40,879				40,879
Public works	60,656				60,656
Fire	68,836				68,836
TOTAL EXPENDITURES	<u>228,802</u>	<u>18,163</u>	<u>29,860</u>		<u>276,825</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>14,164</u>	<u>23,107</u>	<u>(15,976)</u>	<u>4,024</u>	<u>25,319</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	55,675		7,771		63,446
Operating transfers out	(15,000)	(63,446)			(78,446)
TOTAL OTHER FINANCING SOURCES (USES)	<u>40,675</u>	<u>(63,446)</u>	<u>7,771</u>		<u>(15,000)</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>54,839</u>	<u>(40,339)</u>	<u>(8,205)</u>	<u>4,024</u>	<u>10,319</u>
FUND BALANCE-APRIL 1	92,868	117,808	47,929	27,265	285,870
FUND BALANCE-MARCH 31	<u>\$ 147,707</u>	<u>\$ 77,469</u>	<u>\$ 39,724</u>	<u>\$ 31,289</u>	<u>\$ 296,189</u>

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VILLAGE OF FAIRGROVE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2006

Net change in fund balance - governmental funds \$ 10,319

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost is allocated over their estimated useful lives
and reported as depreciation expense. This is the amount by which
capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 68,835	
Depreciation expense	<u>(68,030)</u>	805

Reclassification from capital asset to expenditure on statement of activities 2005 storm sewer project put on hold indefinitely		(60,000)
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The net revenue of certain activities of equipment rental is reported with business-type activities		(406)
--	--	-------

Fire apparatus repayments affect long-term liabilities in the <i>Statement of Net Assets</i> and does not affect the <i>Statement of Activities</i> .		28,117
---	--	--------

Accrued compensated absences are recorded in the statement of activities
when incurred, but it is not recorded in the governmental funds until it is paid.

Accrued compensated absences, beginning of year	-	
Accrued compensated absences, end of year	<u>(1,904)</u>	(1,904)

Police car lease affects long-term liabilities in the <i>Statement of Net Assets</i> and does not affect the <i>Statement of Activities</i> .		(22,287)
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Police car lease payments affect long-term liabilities in the <i>Statement of Net Assets</i> and does not affect the <i>Statement of Activities</i> .		5,572
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The net revenue of certain activities of internal service fund is reported with governmental activities.		11,489
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Change in net assets of governmental activities		<u>\$ (28,295)</u>
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VILLAGE OF FAIRGROVE, MICHIGAN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
MARCH 31, 2006

	<u>BUSINESS - TYPE ACTIVITIES</u> <u>ENTERPRISE FUND</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u> <u>INTERNAL</u> <u>SERVICE FUND</u>
	<u>SEWER</u>	
<u>ASSETS</u>		
Current assets:		
Cash	\$ 103,503	\$ 4,215
Accounts receivable	25,185	
Total current assets	<u>128,688</u>	<u>4,215</u>
Noncurrent:		
Capital assets	2,514,185	153,190
Less accumulated depreciation	<u>(1,212,143)</u>	<u>(123,279)</u>
Total noncurrent assets	<u>1,302,042</u>	<u>29,911</u>
TOTAL ASSETS	<u>\$ 1,430,730</u>	<u>\$ 34,126</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 10,379	\$ 460
Total current liabilities	<u>10,379</u>	<u>460</u>
Total liabilities	<u>10,379</u>	<u>460</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	1,302,042	29,911
Unrestricted	118,309	3,755
Total net assets	<u>\$ 1,420,351</u>	<u>\$ 33,666</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds	406	
Net assets of business-type activities	<u>\$ 1,420,757</u>	

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF FAIRGROVE, MICHIGAN
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUSINESS - TYPE ACTIVITIES</u> <u>ENTERPRISE FUND</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u> <u>INTERNAL</u> <u>SERVICE FUND</u>
	<u>SEWER</u>	
OPERATING REVENUE:		
Charges for services	\$ 60,616	\$ 33,791
OPERATING EXPENSES:		
Salaries	4,188	13,626
Employee benefits	445	3,948
Administrative fees		999
Contracted services	9,193	
Office supplies	326	
Operating supplies		285
Gas & oil		1,794
Insurance	3,717	5,409
Professional fees		800
Utilities	3,257	
Repairs and maintenance		2,132
Equipment rental	1,192	
Operations board expense	14,877	
Depreciation	50,346	8,314
TOTAL OPERATING EXPENSES	87,541	37,307
OPERATING (LOSS)	(26,925)	(3,516)
NONOPERATING REVENUE :		
Penalties and interest	3,603	5
Transfer from other funds		15,000
TOTAL NONOPERATING REVENUE	3,603	15,005
CHANGE IN NET ASSETS	(23,322)	11,489
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds	406	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES	(22,916)	11,489
TOTAL NET ASSETS - BEGINNING	1,443,673	22,177
TOTAL NET ASSETS - ENDING	\$ 1,420,757	\$ 33,666

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF FAIRGROVE, MICHIGAN
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUSINESS - TYPE ACTIVITIES</u> <u>ENTERPRISE FUND</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u> <u>INTERNAL</u> <u>SERVICE FUND</u>
	<u>SEWER</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 61,887	
Receipts from interfund services		\$ 33,791
Payments to suppliers of goods and services	(21,371)	(8,464)
Payments to interfund services	(1,192)	
Payments to employees	(4,189)	(14,625)
Payments for fringe benefits	(445)	(3,947)
NET CASH PROVIDED BY		
OPERATING ACTIVITIES	<u>34,690</u>	<u>6,755</u>
CASH FLOWS FROM CAPITAL AND		
RELATED FINANCING ACTIVITIES:		
Capital assets purchased		(15,070)
Transfer from general fund		15,000
NET CASH (USED) BY CAPITAL AND		
RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(70)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	3,603	5
NET INCREASE IN CASH	<u>38,293</u>	<u>6,690</u>
CASH (OVERDRAFT) - APRIL 1	65,210	(2,475)
CASH - MARCH 31	<u>\$ 103,503</u>	<u>\$ 4,215</u>
Reconciliation of operating income (loss) to net cash		
cash provided by operating activities:		
Operating (loss)	\$ (26,925)	\$ (3,516)
Adjustment to reconcile operating (loss) to net cash		
provided by operating activities:		
Depreciation	50,346	8,314
(Increase) decrease in current assets:		
Accounts receivable	1,271	
Prepaid expense	3,664	4,703
Increase (decrease) in current liabilities:		
Accounts payable	6,334	(2,746)
NET CASH PROVIDED BY		
OPERATING ACTIVITIES	<u>\$ 34,690</u>	<u>\$ 6,755</u>

VILLAGE OF FAIRGROVE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

Reporting Entity

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB 14 pronouncement. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

Excluded from the reporting entity:

Akron-Fairgrove School District - This potential component unit has a separate elected board and provides services to local residents of the Akron and Fairgrove, Michigan area. The Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Board of Operations Akron-Fairgrove Wastewater - The Village of Fairgrove and the Village of Akron jointly appoint the board members of the Board of Operations. The Board of Operations is a separate reporting entity. Although the Board of Operations is not considered a component unit it is considered a jointly governed organization by the Village of Fairgrove and the Village of Akron. The Board operates a raw sewage treatment facility (lagoon) for the Village of Fairgrove and the Village of Akron. The Board of Operations generates revenue by monthly user charges based on gallons pumped by the two Villages. The Village of Fairgrove user fees amounted to \$14,877 for fiscal year ended March 31, 2006. The Villages do not have the ability to exercise influence or control over its daily operations. The related party payable for the fiscal year ended March 31, 2006 is \$4,735 and is included in the Sewer Fund Accounts Payable.

VILLAGE OF FAIRGROVE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Government Wide and Fund Financial Statements:

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's public safety and general administrative services are classified as governmental activities. The Village's sewer system is classified as a business-type activity.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

VILLAGE OF FAIRGROVE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing, charges for services, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Village accounts for the Major Street, Local Street and Local Street Improvement in special revenue funds.

The Village reports the following major proprietary funds:

Sewer Fund - The Sewer Fund is used to account for the sewer operations in the Village.

Additionally, the Village reports the following nonmajor fund types:

Internal Service Fund (Equipment Rental Fund) - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

(CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the utility enterprise fund and the Village's internal service fund are charges to customers for use of the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting:

The Village Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village clerk submits the budget in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. The Village Clerk presents a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year. The budget was amended throughout the year at regular Village Council meetings.

Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

(CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Receivables and Payables: (Continued)

Other receivables at March 31, 2006 consist of property taxes, bridge taxes, and billings for user charged services, including fire protection and utility services. Taxes and utility charges are deemed collectible in full. An allowance for doubtful accounts has been setup for fire protection receivables.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through August 31. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition – Property Taxes). The delinquent taxes of the Village are purchased through a revolving fund by Tuscola County and are therefore included as revenue in the fiscal year levied.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$300 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10 to 50
Buildings	25 to 50
Office equipment	5 to 10
Machinery and equipment	5 to 10
Vehicles	5
Improvements other than buildings	15 to 20

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2006, was \$76,344. Capital asset acquisitions in the governmental funds totaled \$83,905 for the year ended March 31, 2006. A summary of Governmental Fund Capital assets at March 31, 2006, follows:

(CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)
Capital Assets: (Continued)

	March 31,	
	<u>2006</u>	<u>2005</u>
Land	\$ 11,907	11,907
Buildings	1,302,629	1,302,629
Equipment	568,614	530,536
Internal Service Fund assets	153,190	138,120
Construction in progress		60,000
Roads	79,780	49,023
Total capital assets	2,116,120	2,092,215
Less accumulated depreciation	(1,181,592)	(1,105,248)
Net Governmental Fund Capital Assets	<u>\$ 934,528</u>	<u>\$ 986,967</u>

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended March 31, 2006, was \$50,346. There were no capital asset acquisitions or disposals in the business-type funds for the year ended March 31, 2006. A summary of Business-Type Fund capital assets at March 31, 2006, follows:

	March 31,	
	<u>2006</u>	<u>2005</u>
Land	\$ 107,732	\$ 107,732
Lagoon system	391,647	391,647
Sewer system	2,014,806	2,014,806
Total capital assets	2,514,185	2,514,185
Less accumulated depreciation	(1,212,143)	(1,161,797)
Net Business Type Capital Assets	<u>\$1,302,042</u>	<u>\$1,352,388</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$44,875
Public safety	17,408
Highways and public improvement	5,747
Equipment rental service	8,314
Total depreciation expense - governmental activities	<u>\$76,344</u>
Business-type activities:	
Sewer	<u>\$50,346</u>

(CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Compensated Absences:

Full-time village employees are allowed to accumulate a maximum of thirty days of sick leave and carryover five days of unused vacation pay. The Village accrues a liability for compensated absences and is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statement. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - BUDGET COMPLIANCE:

During the year ended March 31, 2006, the following expenditures were in excess of the amount appropriated for the year:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
MAJOR STREET:			
Construction	\$ 7,884	\$ 7,997	\$ 113
Operating transfer out	61,925	63,446	1,521
Administrative	1,600	1,621	21
LOCAL STREET:			
Administrative	1,600	1,621	21

NOTE 3 - CASH AND DEPOSITS:

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with (CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 3 - CASH AND DEPOSITS: (CONTINUED)

statutory authority. The Village has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Village's deposits and investments are within the authorization as set forth by the Village of Fairgrove. The Village's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

The carrying amount of cash and deposits with financial institutions of the Village of Fairgrove amounted to \$396,796 at March 31, 2006. The total bank balance as of the same date was \$406,301. Deposits with financial institutions are categorized as follows:

Amount insured by the FDIC	\$100,000
Uncollateralized	<u>306,301</u>
Total deposits with financial institutions	<u>\$ 406,301</u>

All deposits categorized as uncollateralized are the property of the Village of Fairgrove.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2006.

NOTE 4 - LONG-TERM DEBT:

Police Car:

The Village is obligated under a lease with an option to purchase agreement. The payments are \$5,572 per year. The lease is further explained in Note 8. The lease balance is \$16,715 as of March 31, 2006. The lease matures May 17, 2008.

NOTE 5 - CONTINGENT LIABILITY:

The Village has elected to be a reimbursing employer for purposes of unemployment insurance claims. The Village reimburses the State of Michigan for all benefits charged against it. Unemployment insurance claims are recognized as expense when incurred.

NOTE 6 - PENSION PLAN - DEFINED CONTRIBUTION:

The Village of Fairgrove contributes to the Manulife Plan for Governmental Employees, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions,
(CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 6 - PENSION PLAN - DEFINED CONTRIBUTION: (CONTINUED)

and forfeitures of other participants benefits that may be allocated to such participant's account. As established by local ordinance, all and only elected officials of the Village of Fairgrove can participate in the pension plan from the date they are officially elected to their respective position. Contributions made by the Village for an employee vest immediately. An employee who leaves the employment of the Village is entitled to his or her contributions and the Village's contributions if vesting requirements are satisfied. As determined by local ordinance, each employee must contribute 7.65% of his or her gross earnings to the pension plan. The Village is required to contribute an amount equal to 7.65% of the employee's gross earnings.

The Village's total current year payroll was \$65,820 and the Village's total current year covered payroll was \$16,756, which is for elected officials only.

During the year, the Village's required and actual contributions amounted to \$2,286. Employees' actual contributions amounted to \$1,520. The Village's actual contributions were more than 7.65% because of adjustments on their account.

No pension provision changes occurred during the year that affected the required contributions to be made by the Village or its employees.

The Manulife Plan held no securities of the Village or other related parties during the year or as of the close of the fiscal year ended March 31, 2006.

NOTE 7 - RISK MANAGEMENT:

General Liability:

Village of Fairgrove participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$1.86 million for real and personal property losses and \$5 million for liability losses. Village of Fairgrove is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Worker's Compensation:

Village of Fairgrove participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 6 - PENSION PLAN - DEFINED CONTRIBUTION: (CONTINUED)

Employee Health Care:

Village of Fairgrove purchased commercial insurance coverage for its employees, including dependents.

NOTE 8 - CAPITAL LEASE - POLICE CAR:

The Village of Fairgrove is obligated under a lease with an option to purchase agreement. Title to the police car shall vest in lessee when lessee acquires and accepts the equipment. The lease is renewable until all rental payments are paid.

The total amount to be paid for the police car is capitalized in the Village's Capital Assets schedule in the amount of \$22,287.

The following is a schedule, by years, of future minimum lease payments under the current capital lease:

<u>Year ending</u> <u>March 31,</u>	<u>Amounts</u>
2007	\$ 5,572
2008	5,572
2009	<u>5,571</u>
Total	<u>\$16,715</u>

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF FAIRGROVE, MICHIGAN
GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Taxes	\$ 84,100	\$ 84,100	\$ 88,076	\$ 3,976
Intergovernmental	65,000	65,000	64,724	(276)
Miscellaneous	<u>61,900</u>	<u>61,900</u>	<u>90,166</u>	<u>28,266</u>
TOTAL REVENUE	<u>211,000</u>	<u>211,000</u>	<u>242,966</u>	<u>31,966</u>
EXPENDITURES				
Administration	36,550	38,850	38,116	734
Village buildings and grounds	18,950	20,450	20,315	135
Police	31,889	41,539	40,879	660
Public works	54,050	62,200	60,656	1,544
Fire	<u>67,175</u>	<u>71,150</u>	<u>68,836</u>	<u>2,314</u>
TOTAL EXPENDITURES	<u>208,614</u>	<u>234,189</u>	<u>228,802</u>	<u>5,387</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>2,386</u>	<u>(23,189)</u>	<u>14,164</u>	<u>37,353</u>
OTHER FINANCING SOURCES (USES)	(15,000)	40,675	40,675	
EXCESS REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(12,614)</u>	<u>17,486</u>	<u>54,839</u>	<u>37,353</u>
FUND BALANCE - APRIL 1	92,868	92,868	92,868	
FUND BALANCE - MARCH 31	<u>\$ 80,254</u>	<u>\$ 110,354</u>	<u>\$ 147,707</u>	<u>\$ 37,353</u>

**VILLAGE OF FAIRGROVE
MAJOR STREET FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Intergovernmental	\$ 31,000	\$ 31,000	\$ 38,104	\$ 7,104
Miscellaneous	1,500	1,500	3,166	1,666
TOTAL REVENUE	<u>32,500</u>	<u>32,500</u>	<u>41,270</u>	<u>8,770</u>
EXPENDITURES:				
Construction	7,884	7,884	7,997	(113)
Routine maintenance	10,100	9,000	4,570	4,430
Traffic services	900	1,200	1,199	1
Winter maintenance	2,200	3,000	2,776	224
Administrative	1,600	1,600	1,621	(21)
TOTAL EXPENDITURES	<u>22,684</u>	<u>22,684</u>	<u>18,163</u>	<u>4,521</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>9,816</u>	<u>9,816</u>	<u>23,107</u>	<u>13,291</u>
OTHER FINANCING SOURCES:				
Operating transfer out	(6,250)	(61,925)	(63,446)	(1,521)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>3,566</u>	<u>(52,109)</u>	<u>(40,339)</u>	<u>11,770</u>
FUND BALANCE - APRIL 1	117,808	117,808	117,808	
FUND BALANCE - MARCH 31	<u>\$ 121,374</u>	<u>\$ 65,699</u>	<u>\$ 77,469</u>	<u>\$ 11,770</u>

VILLAGE OF FAIRGROVE, MICHIGAN
LOCAL STREET FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Intergovernmental	\$ 12,000	\$ 12,000	\$ 13,241	\$ 1,241
Miscellaneous	600	600	643	43
TOTAL REVENUE	<u>12,600</u>	<u>12,600</u>	<u>13,884</u>	<u>1,284</u>
EXPENDITURES:				
Construction	25,128	24,328	22,760	1,568
Routine maintenance	9,500	9,500	3,066	6,434
Traffic services	400	400		400
Winter maintenance	1,900	2,700	2,413	287
Administrative	1,600	1,600	1,621	(21)
TOTAL EXPENDITURES	<u>38,528</u>	<u>38,528</u>	<u>29,860</u>	<u>8,668</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(25,928)</u>	<u>(25,928)</u>	<u>(15,976)</u>	<u>9,952</u>
OTHER FINANCING SOURCES:				
Operating transfer in	6,250	6,250	7,771	1,521
EXCESS OF REVENUE AND OTHER SOURCES (UNDER) EXPENDITURES	<u>(19,678)</u>	<u>(19,678)</u>	<u>(8,205)</u>	<u>11,473</u>
FUND BALANCE - APRIL 1	<u>47,929</u>	<u>47,929</u>	<u>47,929</u>	
FUND BALANCE - MARCH 31	<u>\$ 28,251</u>	<u>\$ 28,251</u>	<u>\$ 39,724</u>	<u>\$ 11,473</u>

**VILLAGE OF FAIRGROVE, MICHIGAN
LOCAL STREET IMPROVEMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes	\$ 3,400	\$ 3,400	\$ 3,590	\$ 190
Miscellaneous	200	200	434	234
TOTAL REVENUE	3,600	3,600	4,024	424
 FUND BALANCE - APRIL 1	 27,265	 27,265	 27,265	
 FUND BALANCE - MARCH 31	 <u>\$ 30,865</u>	 <u>\$ 30,865</u>	 <u>\$ 31,289</u>	 <u>\$ 424</u>

ADDITIONAL INFORMATION

VILLAGE OF FAIRGROVE, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current property taxes	\$ 83,000	\$ 87,016	\$ 4,016
Trailer taxes	100	60	(40)
Penalties and interest on delinquent taxes	1,000	1,000	-
Total taxes	<u>84,100</u>	<u>88,076</u>	<u>3,976</u>
Intergovernmental:			
State revenue sharing	65,000	64,724	(276)
Total intergovernmental	<u>65,000</u>	<u>64,724</u>	<u>(276)</u>
Miscellaneous:			
Park donations		2,877	2,877
Police donations		20,369	20,369
Fire protection & fire runs	56,000	58,431	2,431
Interest on investments	1,800	1,970	170
General department- Miscellaneous	4,100	6,519	2,419
Total miscellaneous	<u>61,900</u>	<u>90,166</u>	<u>28,266</u>
TOTAL REVENUE	<u>211,000</u>	<u>242,966</u>	<u>31,966</u>
EXPENDITURES:			
Administration:			
Salaries-Elected officials	11,900	10,894	1,006
Social security	100	211	(111)
Office supplies	1,900	1,904	(4)
Professional fees	2,700	4,850	(2,150)
Conference & workshop	400	253	147
Legal fees	1,500	1,418	82
Telephone	1,000	1,052	(52)
Publishing legal notices	500	625	(125)
Insurance and bonds	6,500	6,491	9
Memberships and dues	800	738	62
Miscellaneous	8,000	7,069	931
Tax statement preparation	350	325	25
Pension contributions	1,800	2,286	(486)
Capital outlay	1,400	-	1,400
Total administration	<u>38,850</u>	<u>38,116</u>	<u>734</u>

VILLAGE OF FAIRGROVE, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (CONTINUED)			
Village buildings and grounds:			
Salaries	5,850	5,880	(30)
Employee benefits	1,200	1,703	(503)
Custodial supplies	200	155	45
Liability insurance	3,300	3,273	27
Electric-Buildings	4,000	3,902	98
Heat-Buildings	2,800	2,968	(168)
Repairs and maintenance	1,800	1,234	566
Contracted services	550	480	70
Miscellaneous expense	750	720	30
Total village buildings and grounds	<u>20,450</u>	<u>20,315</u>	<u>135</u>
Police department:			
Labor	9,000	8,562	438
Employee benefits	689	655	34
Supplies and uniforms	4,050	3,905	145
Telephone	500	539	(39)
Auto expenses	500	470	30
Insurance and bonds	1,700	1,169	531
Training	2,200	2,180	20
Miscellaneous	3,700	4,236	(536)
Capital outlay	19,200	19,163	37
Total police department	<u>41,539</u>	<u>40,879</u>	<u>660</u>
Public works department:			
Labor	7,500	6,896	604
Employee benefits	2,500	1,998	502
Tools and supplies	750	729	21
Contracted services	6,300	5,814	486
Telephone	700	798	(98)
Street lighting	13,300	13,409	(109)
Park maintenance	5,000	4,929	71
Equipment rental	25,000	24,985	15
Insurance	600	590	10
Miscellaneous	550	508	42
Total public works department	<u>62,200</u>	<u>60,656</u>	<u>1,544</u>

VILLAGE OF FAIRGROVE, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (CONTINUED)			
Fire department:			
Wages	12,000	12,785	(785)
Employee benefits	700	978	(278)
Supplies and uniforms	5,400	4,467	933
Gas and oil	1,200	1,260	(60)
Insurance	7,400	7,455	(55)
Utilities	3,900	3,770	130
Repairs and maintenance	6,000	4,319	1,681
Dues and subscriptions	350	353	(3)
Conferences and education	3,400	2,674	726
Capital outlay	<u>30,800</u>	<u>30,775</u>	<u>25</u>
Total fire department	<u>71,150</u>	<u>68,836</u>	<u>2,314</u>
 TOTAL EXPENDITURES	 <u>234,189</u>	 <u>228,802</u>	 <u>5,387</u>
 EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	 <u>(23,189)</u>	 <u>14,164</u>	 <u>37,353</u>
 OTHER FINANCING SOURCES (USES)			
Operating transfers in	55,675	55,675	
Operating transfers out	(15,000)	(15,000)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>40,675</u>	<u>40,675</u>	
 EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	 <u>17,486</u>	 <u>54,839</u>	 <u>37,353</u>
 FUND BALANCE - APRIL 1	 <u>92,868</u>	 <u>92,868</u>	
 FUND BALANCE - MARCH 31	 <u><u>\$110,354</u></u>	 <u><u>\$147,707</u></u>	 <u><u>\$ 37,353</u></u>

VILLAGE OF FAIRGROVE, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2006

	MAJOR STREET	LOCAL STREET	LOCAL STREET IMPROVEMENT	TOTALS (MEMORANDUM ONLY) MARCH 31, 2006	2005
ASSETS					
Cash	\$ 71,659	\$ 37,446	\$ 27,699	\$ 136,804	\$ 181,645
Taxes receivable			3,590	3,590	3,493
Accounts receivable	7,052	2,407		9,459	8,022
TOTAL ASSETS	<u>\$ 78,711</u>	<u>\$ 39,853</u>	<u>\$ 31,289</u>	<u>\$ 149,853</u>	<u>\$ 193,160</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
Accounts payable	\$ 1,242	\$ 129		\$ 1,371	\$ 158
TOTAL LIABILITIES:	<u>1,242</u>	<u>129</u>		<u>1,371</u>	<u>158</u>
FUND EQUITY:					
Fund balance	77,469	39,724	\$ 31,289	148,482	193,002
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 78,711</u>	<u>\$ 39,853</u>	<u>\$ 31,289</u>	<u>\$ 149,853</u>	<u>\$ 193,160</u>

VILLAGE OF FAIRGROVE, MICHIGAN

SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE FOR THE YEAR ENDED MARCH 31, 2006

			TOTALS (MEMORANDUM ONLY)	
	MAJOR STREET	LOCAL STREET	LOCAL STREET IMPROVEMENT	MARCH 31, 2006 2005
REVENUE:				
Taxes			\$ 3,590	\$ 3,493
Intergovernmental	\$ 38,104	\$ 13,241		51,345
Miscellaneous	3,166	643	434	1,892
TOTAL REVENUE	41,270	13,884	4,024	56,974
EXPENDITURES:				
Streets	18,163	29,860		76,129
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	23,107	(15,976)	4,024	(19,155)
OTHER FINANCING SOURCES (USES):				
Operating transfers in		7,771		7,696
Operating transfers out	(63,446)			(7,696)
TOTAL OTHER FINANCING SOURCES (USES)	(63,446)	7,771		(55,675)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(40,339)	(8,205)	4,024	(19,155)
FUND BALANCE - APRIL 1	117,808	47,929	27,265	212,157
FUND BALANCE - MARCH 31	\$ 77,469	\$ 39,724	\$ 31,289	\$ 193,002

VILLAGE OF FAIRGROVE, MICHIGAN

MAJOR STREET FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Intergovernmental:			
Gas and weight tax	\$ 25,000	\$ 31,083	\$ 6,083
County road improvement	6,000	7,021	1,021
Miscellaneous:			
Interest income	<u>1,500</u>	<u>3,166</u>	<u>1,666</u>
TOTAL REVENUE	<u>32,500</u>	<u>41,270</u>	<u>8,770</u>
EXPENDITURES:			
Construction	7,884	7,997	(113)
Routine maintenance	9,000	4,570	4,430
Traffic services	1,200	1,199	1
Winter maintenance	3,000	2,776	224
Administrative	<u>1,600</u>	<u>1,621</u>	<u>(21)</u>
TOTAL EXPENDITURES	22,684	18,163	4,521
EXCESS OF REVENUE OVER EXPENDITURES	<u>9,816</u>	<u>23,107</u>	<u>13,291</u>
OTHER FINANCING (USES):			
Operating transfer out	(61,925)	(63,446)	(1,521)
EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER USES	<u>(52,109)</u>	<u>(40,339)</u>	<u>11,770</u>
FUND BALANCE - APRIL 1	117,808	117,808	
FUND BALANCE - MARCH 31	<u>\$ 65,699</u>	<u>\$ 77,469</u>	<u>\$ 11,770</u>

VILLAGE OF FAIRGROVE, MICHIGAN

LOCAL STREET FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Intergovernmental:			
Gas and weight tax	\$ 12,000	\$ 13,241	\$ 1,241
Miscellaneous:			
Interest income	600	643	43
TOTAL REVENUE	<u>12,600</u>	<u>13,884</u>	<u>1,284</u>
EXPENDITURES:			
Construction	24,328	22,760	1,568
Routine maintenance	9,500	3,066	6,434
Traffic services	400		400
Winter maintenance	2,700	2,413	287
Administrative	<u>1,600</u>	<u>1,621</u>	<u>(21)</u>
TOTAL EXPENDITURES	<u>38,528</u>	<u>29,860</u>	<u>8,668</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(25,928)</u>	<u>(15,976)</u>	<u>9,952</u>
OTHER FINANCING SOURCES:			
Operating transfer in	6,250	7,771	1,521
EXCESS OF REVENUE AND OTHER SOURCES (UNDER) EXPENDITURES	<u>(19,678)</u>	<u>(8,205)</u>	<u>11,473</u>
FUND BALANCE - APRIL 1	47,929	47,929	
FUND BALANCE - MARCH 31	<u>\$ 28,251</u>	<u>\$ 39,724</u>	<u>\$ 11,473</u>

VILLAGE OF FAIRGROVE, MICHIGAN
LOCAL STREET IMPROVEMENT FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Bridge tax	\$ 3,400	\$ 3,590	\$ 190
Miscellaneous:			
Interest income	<u>200</u>	<u>434</u>	<u>234</u>
TOTAL REVENUE	3,600	4,024	424
 FUND BALANCE - APRIL 1	 27,265	 27,265	
 FUND BALANCE - MARCH 31	 <u>\$ 30,865</u>	 <u>\$ 31,289</u>	 <u>\$ 424</u>

VILLAGE OF FAIRGROVE, MICHIGAN
MAJOR STREET FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Construction	\$ 7,884	\$ 7,997	\$ (113)
Routine maintenance:			
Labor		585	
Employee benefits		169	
Materials & supplies		426	
Contracted services		1,221	
Equipment rental		2,169	
Total routine maintenance	<u>9,000</u>	<u>4,570</u>	<u>4,430</u>
Traffic services:			
Labor		80	
Employee benefits		23	
Material and supplies		865	
Equipment rental		231	
Total traffic services	<u>1,200</u>	<u>1,199</u>	<u>1</u>
Winter maintenance:			
Labor		371	
Employee benefits		108	
Contracted services		743	
Equipment rental		1,554	
Total winter maintenance	<u>3,000</u>	<u>2,776</u>	<u>224</u>
Administrative:			
Salaries		1,081	
Professional fees		540	
Total administrative	<u>1,600</u>	<u>1,621</u>	<u>(21)</u>
TOTAL EXPENDITURES	<u>\$ 22,684</u>	<u>\$ 18,163</u>	<u>\$ 4,521</u>

VILLAGE OF FAIRGROVE, MICHIGAN
LOCAL STREET FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Construction	<u>\$ 24,328</u>	<u>\$ 22,760</u>	<u>\$ 1,568</u>
Routine maintenance:			
Labor		513	
Employee benefits		148	
Materials & supplies		588	
Equipment rental		1,817	
Total routine maintenance	<u>9,500</u>	<u>3,066</u>	<u>6,434</u>
Traffic services:			
Labor	400		
Total traffic services	<u>400</u>	<u>-</u>	<u>400</u>
Winter maintenance:			
Labor		442	
Employee benefits		128	
Equipment rental		1,843	
Total winter maintenance	<u>2,700</u>	<u>2,413</u>	<u>287</u>
Administrative:			
Salaries		1,081	
Professional fees		540	
Total administrative	<u>1,600</u>	<u>1,621</u>	<u>(21)</u>
TOTAL EXPENDITURES	<u><u>\$ 38,528</u></u>	<u><u>\$ 29,860</u></u>	<u><u>\$ 8,668</u></u>